



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
SINGLE FAMILY HOUSING



Welcome to...
FHA Appraisal Policies, Principles and Practices

Today's webinar begins
at 1:00 PM (Eastern)

We will be underway shortly

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Questions and Answers

- The presentation team will answer questions submitted in advance.
- Not all submitted questions will be answered today due to time limitations.

Contact FHA Resource Center

- Online at: www.hud.gov/answers
- Via email at: answers@hud.gov
- Via phone at: [1-800-Call-FHA](tel:1-800-225-5342) (1-800-225-5342)

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- FHA Lenders page:
https://www.hud.gov/program_offices/housing/sfh/lender
- FHA FAQ page:
<https://www.hud.gov/FHAFAQ>
- Single Family Housing Archived Webinars (On Demand) page:
https://www.hud.gov/program_offices/housing/sfh/events/sfh_webinars





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FHA Appraisal Policies, Principles and Practices

Presented by:
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Last Updated: 08/03/21



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AHOC Technical Branch

Appraisal Training Team

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- Mr. Michael A. Swift, Sr. Appraiser, Technical Branch II

Agenda

Single Family Housing Policy Handbook 4000.1

Appraisal Guidance Update 2019/2020

Appraisal Integrity

Components of Appraisal Guidance

Defective Property Conditions

Agenda

Fannie Mae Form 1004

Fannie Mae Form 1004c

Fannie Mae Form 1073

Property Flipping and Transferring Appraisals

New Construction

HUD.GOV Appraiser's Page

Contains links for:

- Application and Renewal
- Handbooks and Mortgagee Letters
- Events and Training
- Sanctions and Debarments
- References
- FAQs
- Related Information



https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/appr

Single Family Housing Policy Handbook 4000.1



Single Family Housing Policy Handbook 4000.1

Single Family Housing Policy Handbook 4000.1 (Handbook 4000.1)

Last Revised: November 18, 2020

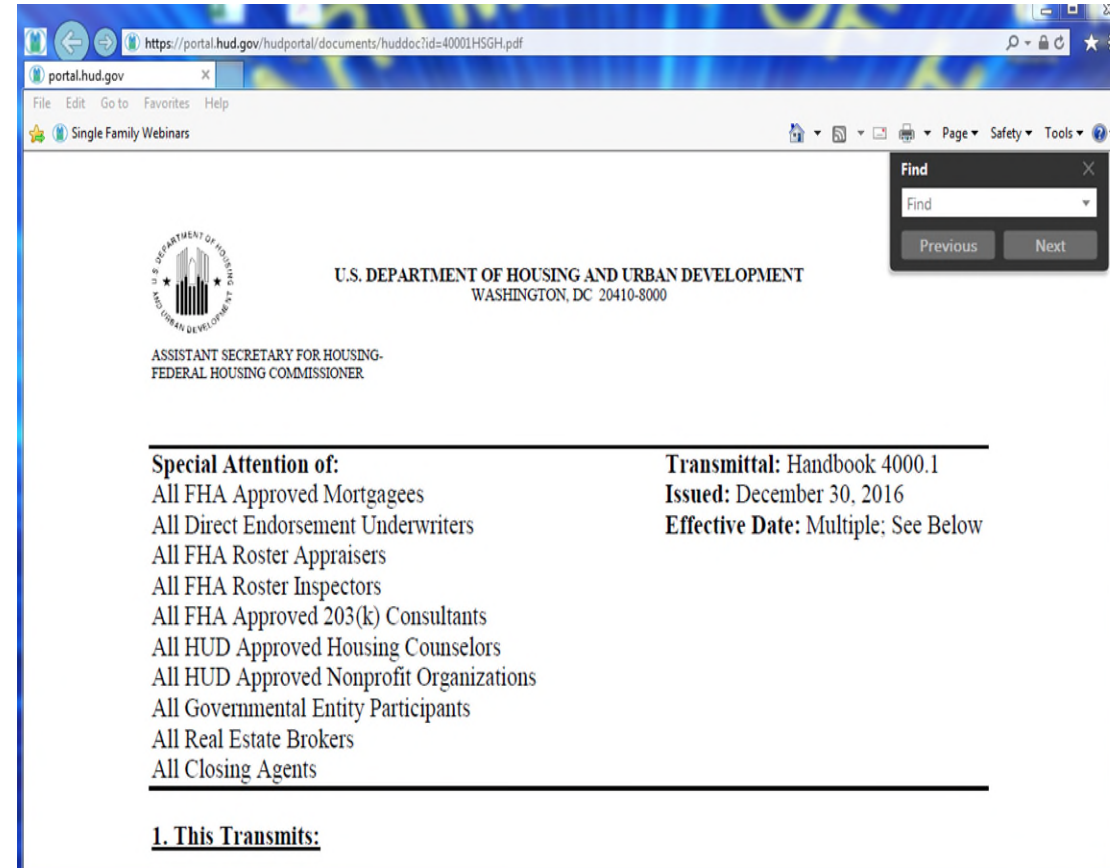
Effective: Multiple dates



Single Family Housing Policy Handbook 4000.1 (cont.)

Search Function

Key Ctrl+F



Single Family Housing Policy Handbook 4000.1 (cont.)

Appraisal Results

FHA Single Family Housing Policy Handbook TABLE OF CONTENTS

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Reporting Requirements

Single Family Housing Appraisal Report and Data Delivery Guide

- Posted to the HUD website:

https://www.hud.gov/sites/documents/SFH_POLI_APPR_RPT_FIN.PDF

- Describes reporting requirements for the five appraisal report forms utilized by the Federal Housing Administration (FHA)
- Includes Fannie Mae/Freddie Mac Uniform Appraisal Dataset (UAD) formats and requirements where applicable
- Appraisal software companies will use this document to ensure that their products will comply with FHA requirements.

Appraisal Guidance Update 2020/2021



Exterior only Scope of Work Option

Mortgagee Letter 2020-05

- FHA Single Family's Exterior-Only or Desktop-Only Appraisal inspection option limits face-to-face contact for certain transactions affected by the Presidentially-Declared COVID-19 National Emergency Declaration.
- Policy updates in this ML are temporary and will not be incorporated into the HUD *Single-Family Housing Policy Handbook* 4000.1.

Exterior Only Scope of Work Option (cont.)

ML	Action	Extended Date
2020-14	Extension	through 06/30/2020
2020-20	Extension	through 08/31/2020
2020-28	Extension	through 10/31/2020
2020-37	Removed Desktop Option	N/A
2020-47	Extension	through 02/28/2021
2021-06	Extension	through 06/30/2021

Case/Appraisal Transfer

New Options to Transfer the Appraisal When the Case is Transferred

- Effective February 25, 2019, lenders have the option to electronically transfer the property appraisal to a new lender at the same time the case is transferred.
- The **Case Transfer** function was renamed **Case/Appraisal Transfer**.
- The FHA Connection's ***Case Processing*** menu was modified accordingly.

Case Transfer Update in FHA Connection

Case Processing

Case Number Assignment

Appraisal Logging

Insurance Application

HECM Insurance Application

203k Calculator (with FHA Case Number)

Borrower/Address Change

CAIVRS Authorization

Case/Appraisal Transfer

Case Query

Conditional Commitment

Counseling Certificate

EEM Calculator

Electronic Binder Additions Upload

Electronic Case Binder Upload

Escrow Closeout

Firm Commitment

HECM Financial Assessment

HECM Referral

Inspector Assignment

MIC/NOR List

MIP Calculator

Mortgage Credit Reject

Mortgage Insurance Certificate

Notice of Return

Post-endorsement Borrower SSN Correction

Refinance Authorization

Refinance Credit Query

Secondary Financing

Processing a Mortgage for FHA Insurance

What I Need to Know

Binder Selection

Case Transfer Update in FHA Connection (cont.)

Case/Appraisal Transfer

New

Help Links ?

FHA Case Number:

371-555555

New

Originator ID:

5555500005

New Sponsor/Agent ID:

Date of Assignment Letter:

12/26/18

Appraisal Transfer

Select

Select

Yes

No

Send

Reset


new

Case Transfer Update in FHA Connection (cont.)


* Appraisal Update *

Appraiser (State Certificate or License No.):

ID:



Effective Date of Appraisal Update:



Name:

Certify subject property did not decline in value

☐

* Appraisal Transfer *

Appraisal Transfer: Yes

Second Appraisal


Select link if you wish to enter second appraisal

Case Transfer Update in FHA Connection (cont.)


CRA Estimate:

*** Appraisal Update ***

Appraiser (State Certificate or License No.):

ID: 

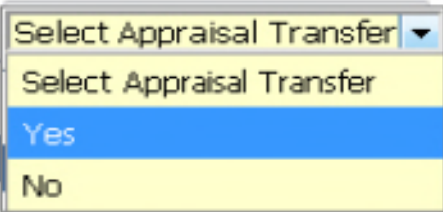
Effective Date of Appraisal Update:


/ / 

Name:




Certify subject property did not decline in value ☐

*** Appraisal Transfer ***

Appraisal Transfer: 

new 

Second Appraisal

FHA Catalyst: Appraisal Module

ML 2020-26

Sept 1, 2020 mortgagees can begin to utilize the EAD pathway in Catalyst

- This starts the transition period until a later mandatory date is set.
- Once appraisal is submitted in either platform, that platform must be used for all subsequent submissions.
- Catalyst is not currently available for reverse mortgages.
- Appraisal submitted through Catalyst will be the appraisal of record for endorsement.
- Mortgagee remains responsible for proper submission and ensuring FHA guidelines are met during the transition.

For additional information and user training:

https://www.hud.gov/program_offices/housing/fha_catalyst_property_valuation_module

FHA CATALYST



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Manufactured Housing Comparable Selection

ML 2020-48 (December 22, 2020)

- There is a new manufactured home category that include features that are found in site-built construction, including, but not limited to high pitched roof lines, interior drywall finished and attached garages. Appraisals must include at least two sales with similar certification when available.
- These programs are:
 - ***Fannie Mae MH Advantage®***
 - ***Freddie Mac CHOICEHome®***
- These MH will have a sticker affixed near the HUD data plate.
- A photo of the sticker must be included to meet documentation requirements.



Manufactured Housing Comparable Selection (cont.)

- Under a temporary exception, (expires on 12/21/2022), if less than two comparable MH Advantage® (Figure 1) or CHOICEHome® (Figure 2) sales are available, the Appraiser may utilize other factory-built, or site-built construction as comparable sales.

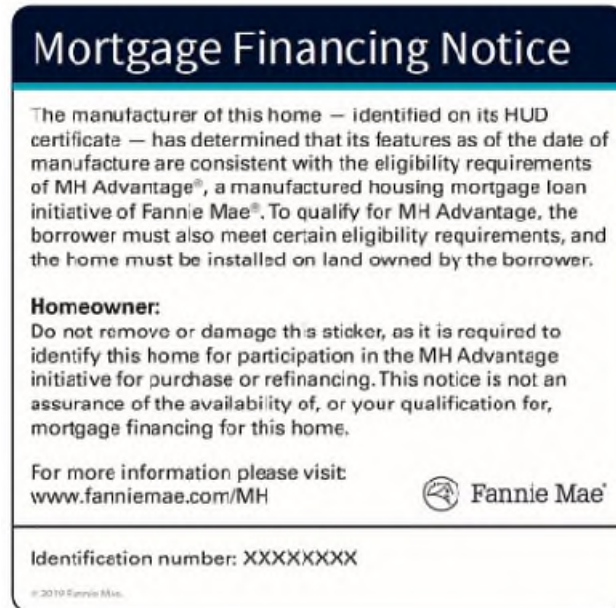


Figure 1: Fannie Mae MH Advantage Sticker

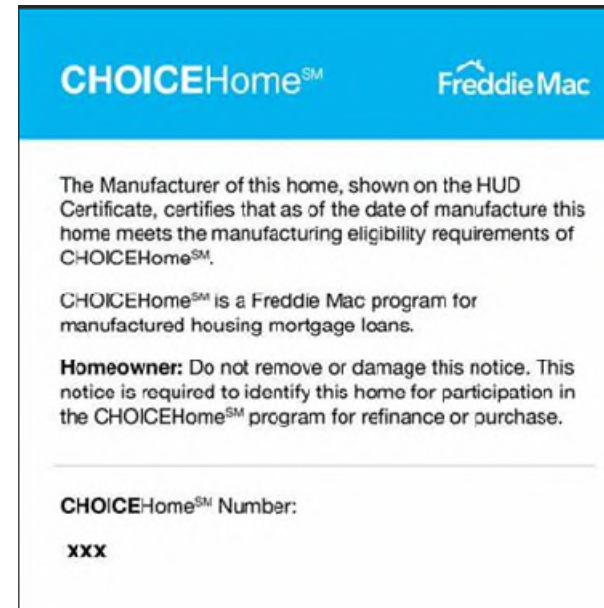


Figure 2: Freddie Mac's CHOICEHome® Sticker

Appraisal Integrity



Property Acceptability Criteria

- The Mortgagee must evaluate the appraisal and any supporting documentation to determine if the property complies with HUD's Property Acceptability Criteria.
- Existing and New Construction properties must comply with **Application of Minimum Property Requirements and Minimum Property Standards by Construction Status.**

Handbook 4000.1, Section II.A.3.a



Appraiser Responsibility

- Mortgagees bear primary responsibility for determining eligibility; however, **the Appraiser**:
 - Provides preliminary verification that the property meets the Property Acceptability Criteria, which includes HUD's Minimum Property Requirements (MPR) and Minimum Property Standards (MPS).

Handbook 4000.1, Section II.A.3.a.ii



Appraisal Integrity

Mortgagee Responsibilities: (cont.)

- The Mortgagee **must** evaluate the appraisal in accordance with the requirements for Defective Conditions to determine if the Property is eligible for an FHA-insured Mortgage.
- If defective conditions exist and correction is not feasible, **the Mortgagee must reject the Property.**

Handbook 4000.1, Section II.A.3



Fair Housing

- HUD expects all parties engaged in the FHA-insured Mortgages process to comply with all anti-discrimination laws, rules, and requirements applicable in the performance of their duties, including full compliance with the relevant provisions of:
 - Title VIII of the Civil Rights Act of 1968 (Fair Housing Act);
 - the Fair Credit Reporting Act, Public Law 91-508; and
 - the Equal Credit Opportunity Act (ECOA), Public Law 94-239 and 12 CFR Part 202.

Fair Housing (cont.)

The Fair Housing Act prohibits discrimination because of race, color, national origin, religion, sex, familial status, and disability in the sale or rental of housing, including against individuals seeking a mortgage or housing assistance or other housing-related activities. Various federal fair housing and civil rights laws require HUD and its program participants to affirmatively further the purposes of the Fair Housing Act.

Components of Appraisal Guidance

Components of Appraisal Guidance

Component	Guidance
Property Requirements	FHA requires underwriting of Property condition, as well as valuation.
Appraiser Requirements to Observe, Analyze, and Report	The appraisal provides the Mortgagee with necessary information to determine if a property meets the minimum requirements and eligibility standards for a FHA-insured Mortgage.
Report and Data Format Requirements	FHA Single Family Appraisal Report and Data Delivery Guide.
FHA Appraiser Roster Relations	FHA Appraiser Roster relationship is discussed in the Doing Business with FHA section of Handbook 4000.1.
FHA Appraiser Quality Control and Oversight	FHA monitors FHA Appraisers and employs enforcement actions if its requirements are violated.

Appraisal Effective Date

Information Required before Commencement of the Appraisal:

- The Effective date of the appraisal cannot be a date before FHA case number assignment **unless** the Mortgagee certified that the appraisal:
 - Was ordered for conventional lending or Government-guaranteed loan purposes; and
 - Was performed pursuant to FHA guidelines.

Handbook 4000.1, Section II.D.1.a



Intended Use/User

- The intended use of the appraisal must indicate that it is solely to assist FHA in assessing the risk of the Property securing the FHA-insured Mortgage.
- Additionally, FHA and the Mortgagee must be indicated as the intended users of the appraisal report.

Handbook 4000.1, Section II.D.1.a



Documents Provided to Appraiser

- A complete copy of the Executed Sales Contract when a purchase transaction occurred
- The land lease, if applicable
- Surveys or legal description, if available
- A point of contact and contact information for the Mortgagee so that the Appraiser can communicate noncompliance issues
- Any other legal documents contained in the loan file

Handbook 4000.1, Section II.D.1.a



Update of Appraisal

- The 120-day validity period for an appraisal may be extended for 30 days at the option of the Mortgagee without an appraisal update, if:
 1. The Mortgagee approved the borrower or HUD issued the Firm Commitment before the expiration of the original appraisal; or
 2. The borrower signed a valid sales contract prior to the expiration date of the appraisal.
- If an appraisal will expire before an update can be completed, or a 30-day extension of the original appraisal is insufficient to complete the insurance process, the lender may:
 - Order a new appraisal under the same case number, or
 - Cancel the case number, and order a new case number and appraisal.

Handbook 4000.1, Section II.A.1.a.i.(A)(1)(b)



Update of Appraisal (cont.)

- Update of Appraisal must be performed before the initial appraisal has expired.
- An appraisal cannot be updated if an appraisal extension has been issued.
- Once updated, the maximum validity period for an appraisal is 240 days after the Effective Date of the initial appraisal report.



Update of Appraisal (cont.)

- The update should be completed by the same appraiser who performed the original appraisal. Extenuating circumstances may warrant an exception to this requirement.
- The update must be completed on the 1004D form.
- A new 1004MC must accompany the 1004D.

Handbook 4000.1, Section II.A.1.b.ii



General Appraiser Requirements

When performing an appraisal, the Appraiser must review and analyze the following:

- A complete copy of the executed sales contract for the subject, if a purchase transaction;
- The land lease, if applicable;
- Surveys or legal descriptions, if available; and
- Any other legal documents contained in the loan file

The Appraiser must report the result of that analysis in the appraisal report.

Handbook 4000.1, Section II.D.2



Encroachments

- The Appraiser must identify any Encroachments of the subject's dwelling, garage, or other improvement onto an adjacent Property, right-of-way, utility Easement, or building restriction line.
- The Appraiser must also identify any Encroachments of a neighboring dwelling, garage, other physical Structure or improvements onto the subject Property.

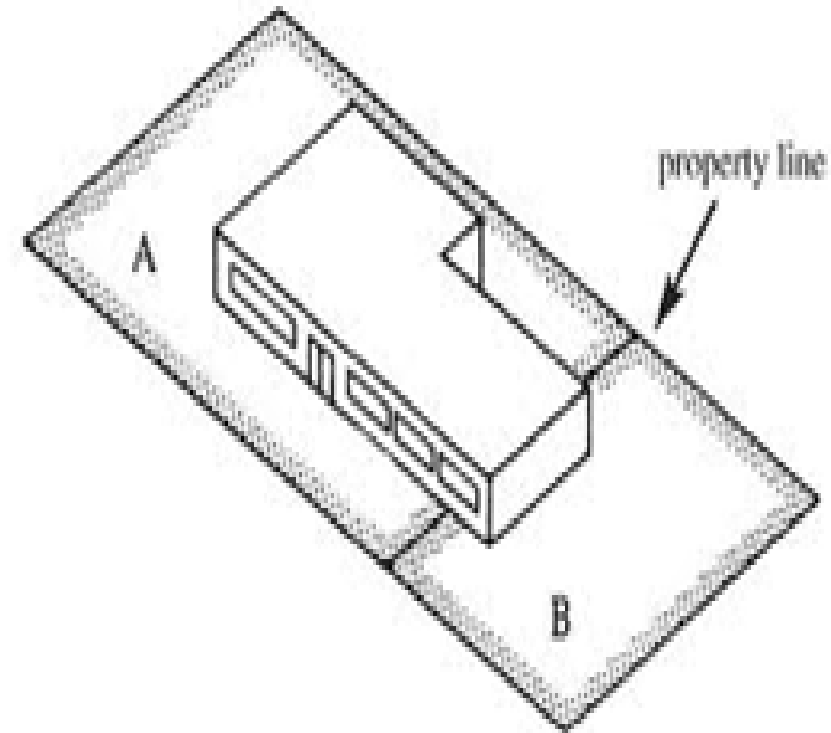


FIG. 64. ENCROACHMENT

Handbook 4000.1, Section II.D.3.c.ii.(D)

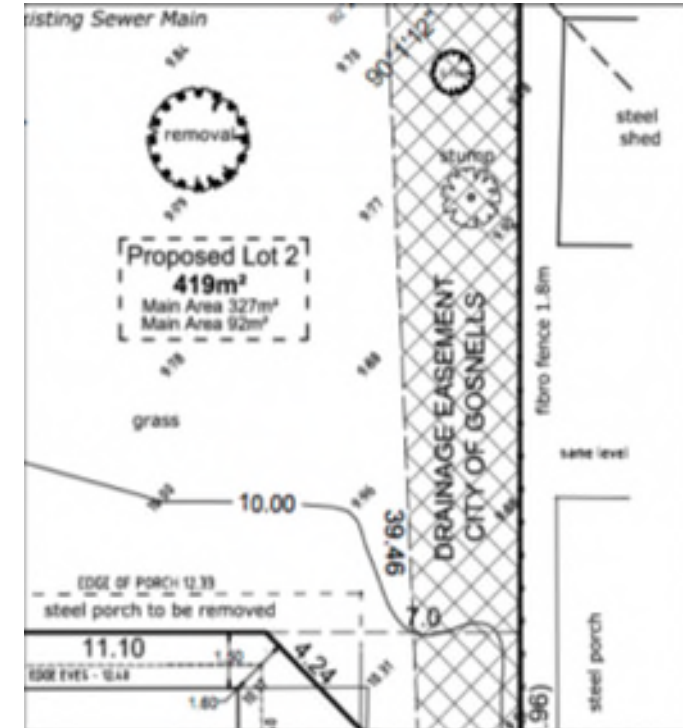
Encroachments (cont.)

- Encroachment by the subject or adjacent Property fences is acceptable provided such Encroachment does not affect the marketability of the subject Property.



Easements and Deed Restrictions

- The Appraiser must analyze and report the effect that Easements and other legal restrictions, such as Deed Restrictions, may have on the use, value and marketability of the Property.
- The Appraiser must review recorded subdivision plats and deeds when available through *the normal course of business*.



Handbook 4000.1, Section II.D.3.c.ii.(E)

Externalities

Externalities refer to off-site conditions that affect a Property's value.

- Externalities include:
 - Heavy traffic, airport noise and hazards, special airport hazards, proximity to high pressure gas lines, Overhead Electric Power Transmission Lines and Local Distribution Lines, smoke, fumes and other offensive or noxious odors, and stationary storage tanks.
- The Appraiser must report the presence of Externalities so that the Mortgagee can determine eligibility.

Handbook 4000.1, Section II.D.3.c.iii



Externalities (cont.)

Airport Noise and Hazards

- The Appraiser must identify if the property is affected by noise and hazards of low flying aircraft because it is near an airport.
- The Appraiser must review airport contour maps and analyze accordingly.
- The Appraiser must identify if the Property is located within a Runway Clear Zone (also known as a Runway Protection Zone).
- For Properties located in an Accident Potential Zone 1 (APZ 1) at military airfields, the Appraiser must require compliance with the Department of Defense (DoD) Guidelines and a buyer's acknowledgement.

Handbook 4000.1, Section II.D.3.c.iii



Externalities (cont.)

High Voltage Transmission Line

- The appraiser must notify the Mortgagee of the deficiency of MPR (minimum property requirements) or MPS (minimum property standards) if:
 - The Overhead Electric Power Transmission Lines or the Local Distribution Lines pass directly over any dwelling, Structure or related property improvement, including pools, spas, or water features; or
 - The dwelling or related property improvements are located within an Easement or if they appear to be located within an unsafe distance of any power line or tower.

Handbook 4000.1, Section II.D.3.c.iii



Externalities (cont.)

Stationary Storage Tanks

- If the subject property line is located within 300 feet of an above ground stationary storage tank with a capacity of 1,000 gallons or more of flammable or explosive material, then the property is ineligible for FHA insurance.



Handbook 4000.1, Section II.D.3.c.iii

Non-Residential Use

- The non-residential portion of the total floor area may not exceed 49 percent.
 - Storage areas or similar spaces that are integral parts of the non-residential portion **must be included in the calculation of the non-residential area.**
- Any non-residential use of the Property must be subordinate to its residential use, character and appearance.
- Non-residential use may not impair the residential character or marketability of the Property.

Handbook 4000.1, Section II.D.3



Mixed Use

- Mixed Use refers to:
 - A Property suitable for a combination of uses including any of the following: commercial, residential, retail, office or parking space.

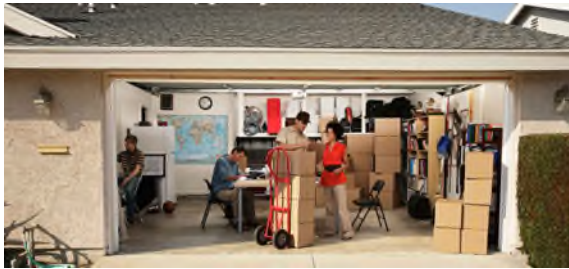


Handbook 4000.1, Section II.D.13

Mixed Use (cont.)

Mixed Use one- to four-unit Single Family Properties are eligible for FHA insurance, provided:

- A minimum of 51 percent of the entire building square footage is for residential use; and
- The commercial use will not affect the health and safety of the occupants of the residential Property.



Handbook 4000.1, Section II.D.13

Planned Unit Development

- A Planned Unit Development (PUD) refers to:
 - A residential development that contains, within the overall boundary of the subdivision, common areas and facilities owned by a Homeowners' Association (HOA), to which all homeowners must belong and to which they must pay lien-supported assessments.
- A unit in a PUD consists of:
 - The fee title to the real estate represented by the land; and
 - The improvements thereon plus the benefits arising from ownership of an interest in the HOA.

Handbook 4000.1, Section II.D.3.c.i.(C)



Partially Below-Grade Habitable Space

- Partially Below-Grade Habitable Space
 - Refers to living area constructed partially below-grade but that has the full utility of GLA (gross living area).
- The Appraiser must report:
 - The design and measurements of the subject;
 - The market acceptance or preference;
 - How the levels and areas of the dwelling are being calculated and compared; and
 - The effect that this has on the analysis.

Handbook 4000.1, Section II.D.3.d.iv



Partially Below Grade Habitable Space (cont.)

- Regardless of the description of the rooms, bedrooms or baths as above grade or below grade:
 - The Appraiser must analyze all components of the subject Property in the valuation process.
- The Appraiser must not identify a room as a bedroom that cannot accommodate ingress or egress in the event of an emergency:
 - Regardless of location above or below grade.

Handbook 4000.1, Section II.D.3.d.iv



Appliances

- Definition
 - Appliances refer to refrigerators, ranges/ovens, dishwashers, disposals, microwaves, and washers/dryers.
- Standard
 - Appliances that are to remain and that contribute to the market value opinion must be operational.



Handbook 4000.1, Section II.D.3.e

Mechanical Components and Utilities



- The Appraiser must notify the Mortgagee if mechanical systems do not appear to:
 - Have reasonable future utility, durability, and economy;
 - Be safe to operate;
 - Be protected from destructive elements; or
 - Have adequate capacity.

Handbook 4000.1, Section II.D.3.g

Heating and Cooling

The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the permanently installed heating system does not:

- Automatically heat the living areas of the house to a minimum of 50 degrees Fahrenheit in all Gross Living Areas (GLAs), as well as in non-GLAs containing building or system components subject to failure or damage due to freezing;
- Provide healthful and comfortable heat or is not safe to operate; or
- Rely upon a fuel source that is readily obtainable within the subject's geographic area;

Handbook 4000.1, Section II.D.3.i



Heating and Cooling (cont.)

The Appraiser must notify the Mortgagee of the deficiency of MPR or MPS if the permanently installed heating system does not:

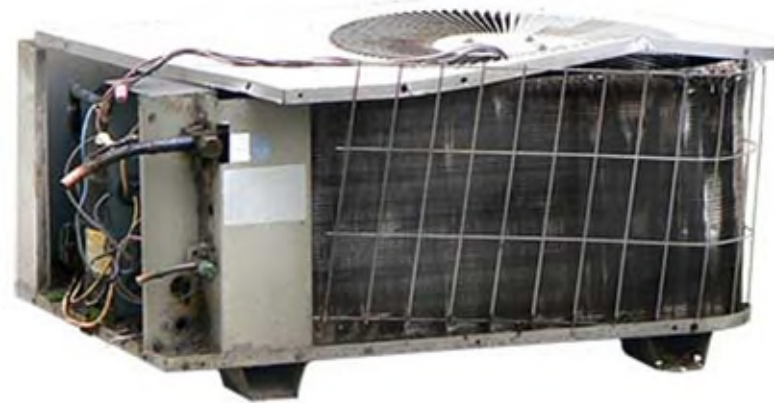
- Have market acceptance within the subject's marketplace; and
- Operate without human intervention for extended periods of time.



Handbook 4000.1, Section II.D.3.i

Heating and Cooling (cont.)

Central air conditioning is not required but, if installed, must be operational.



Handbook 4000.1, Section II.D.3.i

Plumbing Systems

Flush the toilets and operate a sample of faucets to:

- Observe water pressure and flow;
- Determine whether:
 - the plumbing system is intact;
 - any foul odors are emitted;
 - faucets function appropriately, that both cold and hot water run; and
 - there is no readily observable evidence of leaks or structural damage under fixtures.

Handbook 4000.1, Section II.D.3.g.iii



Additions and Converted Space

The Appraiser must treat room additions and garage conversions as part of the GLA of the dwelling, provided that the addition or conversion space:

- Is accessible from the interior of the main dwelling in a functional manner;
- Has a permanent and sufficient heat source; and
- Was built in keeping with the design, appeal, and quality of construction of the main dwelling.

Handbook 4000.1, Section II.D.3.d.iii



Additions and Converted Space (cont.)

- Room additions and garage conversions that **do not meet** the criteria listed above are to be addressed as a separate line item in the sales grid, not in the GLA.
- The Appraiser must not add an Accessory Dwelling Unit (ADU) or secondary living area to the GLA.

Handbook 4000.1, Section II.D.3.d.iii



Excess vs. Surplus Land

Excess Land refers to land that is not needed to serve or support the existing improvements.

- The highest and best use of the Excess Land may or may not be the same as the highest and best use of the improved parcel.
- Excess Land may have the potential to be sold separately.

Handbook 4000.1, Section II.D.3.c.vi



Excess vs. Surplus Land (cont.)

Surplus Land refers to land that is not currently needed to support the existing improvement but cannot be separated from the Property and sold off.

- Surplus Land does not have an independent highest and best use and may or may not contribute to the value of the improved parcels.
 - The Appraiser must include the highest and best use analysis in the appraisal report to support the Appraiser's conclusion of the existence of Excess Land.
 - The Appraiser must include Surplus Land in the valuation.

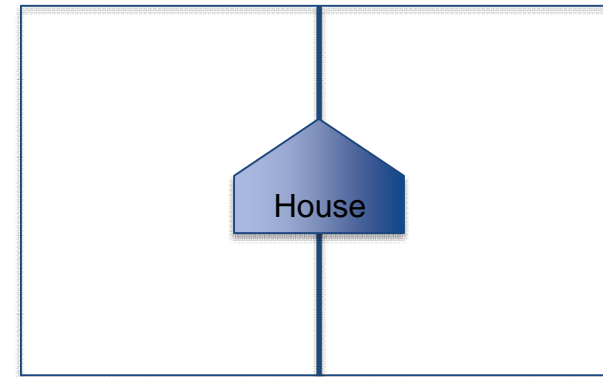
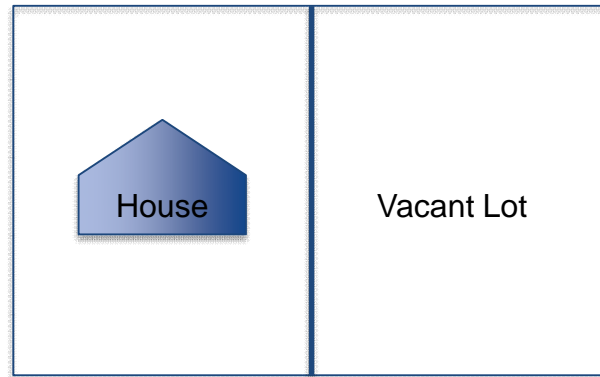
Handbook 4000.1, Section II.D.3.c.vi



Excess vs. Surplus Land (cont.)

- If the subject of an appraisal contains two or more legally conforming platted lots under one legal description and ownership, and the second vacant lot is capable of being divided and/or developed as a separate parcel where such a division will not result in a non-conformity in zoning regulations for the remaining improved lot, the second vacant lot is Excess Land.
- The value of the second lot must be excluded from the final value conclusion of the appraisal and the Appraiser must provide a value of only the principal site and improvements under a hypothetical condition.

Excess vs Surplus Land (cont.)



Defective Property Conditions

Defective Conditions

- Defective construction, evidence of continuing settlement, excessive dampness, leakage, decay, termites, environmental hazards, or other conditions affecting the health and safety of occupants, collateral security or structural soundness of the dwelling.
- The Mortgagee must render the property ineligible until the defects or conditions have been remedied and the probability of further damage eliminated.

Handbook 4000.1, Section II.D.3.c



Defective Conditions (cont.)

Inspection Requirements:

- Examples of conditions that require an inspection by qualified individuals or Entities include, but are not limited to:
 - Standing water against the foundation and/or excessively damp basements
 - Hazardous materials on the site or within the improvements
 - Faulty or defective mechanical systems (electrical, plumbing or heating)
 - Evidence of possible structural failure (e.g., settlement or bulging foundation wall, unsupported floor joists, cracked masonry walls or foundation)

Handbook 4000.1, Section II.D.3.c



Defective Conditions (cont.)

Inspection Requirements:

- Examples of conditions that require an inspection by qualified individuals or Entities include, but are not limited to:
 - Evidence of possible pest infestation
 - Leaking or worn-out roofs
 - Chipped, Peeling, Loose Lead-Based Paint (on homes built in 1978 or prior)
 - The reason for or indication of a particular problem must be given when requiring an inspection of any mechanical system, structural system, etc.

Handbook 4000.1, Section II.D.3.c



Minimum Required Repairs

- When the appraisal report or inspection from a Qualified Entity indicates that repairs are required to make the property meet HUD's MPR or MPS, **the Mortgagee must comply with Repair Requirements.**
- If repairs for Existing Construction cannot be completed prior to closing, the Mortgagee may establish an escrow account in accordance with Repair Completion Escrow Requirements.

Handbook 4000.1, Section II.D.3.c



Minimum Required Repairs (cont.)

- The underwriter will determine which repairs for existing properties must be made for the property to be eligible for FHA-insured financing.
- Required repairs are **limited to those repairs necessary to maintain safety, security and soundness.**
- Required repairs are those necessary **to preserve the continued marketability of the property and protect the health and safety of the occupants.**
- If an element is functioning well but has not reached the end of its useful life, the appraiser should not recommend replacement because of age.

Handbook 4000.1, Section II.D.3.c



Methamphetamine Contaminated Properties

- Contaminated properties have potentially significant environmental risks due to use and/or storage of dangerous chemicals on the property.
- If the Mortgagee notifies the Appraiser or the Appraiser has evidence that a Property is contaminated by the presence of methamphetamine (meth), either by its manufacture or by consumption, the Appraiser must render the appraisal subject to the Property being certified safe for habitation.
- The Appraiser must analyze and report any long-term stigma caused by the Property's contamination by meth and the impact on value or marketability.

Handbook 4000.1, Section II.D.3.c



Underwriting the Property

Documentation Requirements:

- If additional inspections, repairs, or certifications are noted by the appraisal or are required to demonstrate compliance with **Property Acceptability Criteria**, the Mortgagee must obtain evidence of completion of such inspections, repairs, or certifications.

Handbook 4000.1, Section II.D.3.c



Acceptable Appraisal Forms

Documentation Requirements:

Property/Assignment Type	Acceptable Reporting Form
Fannie Mae Form 1004 MC / Freddie Mac Form 71 , <i>Market Conditions Addendum to the Appraisal Report</i> , must be completed for every appraisal.	
Single Family, Detached, Attached or Semi-Detached Residential Property	Fannie Mae Form 1004 / Freddie Mac Form 70 , Uniform Residential Appraisal Report (URAR); MISMO 2.6 GSE format
Single Unit Condominium	Fannie Mae Form 1073 / Freddie Mac Form 465 , Individual Condominium Unit Appraisal Report; MISMO 2.6 GSE format
Manufactured (HUD Code) Housing	Fannie Mae Form 1004C / Freddie Mac Form 70B , Manufactured Home Appraisal Report; MISMO 2.6 Errata 1 format
Small Residential Income Properties (Two to Four Units)	Fannie Mae Form 1025 / Freddie Mac Form 72 , Small Residential Income Property Appraisal Report; MISMO 2.6 Errata 1 format
Update of Appraisal (All Property Types)	Summary Appraisal Update Report Section of Fannie Mae Form 1004D / Freddie Mac Form 442 , Appraisal Update and/or Completion Report; MISMO 2.6 Errata 1 format
Compliance or Final Inspection for New Construction or Manufactured Housing	Form HUD-92051 , Compliance Inspection Report, in Portable Document Format (PDF)
Compliance or Final Inspection for Existing Property	Certification of Completion Section of Fannie Mae Form 1004D / Freddie Mac Form 442 , Appraisal Update and/or Completion Report; MISMO 2.6 Errata 1 format

AR&DDG, Section A

Fannie Mae Form 1004: Single Family, Detached, Attached or Semi-Detached Residential Property



OFFICE OF SINGLE FAMILY HOUSING



Site Section

Dimensions	Area		Shape		View				
Specific Zoning Classification		Zoning Description							
Zoning Compliance <input type="checkbox"/> Legal <input type="checkbox"/> Legal Nonconforming (Grandfathered Use) <input type="checkbox"/> No Zoning <input type="checkbox"/> Illegal (describe)									
Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe									
S I T E	Utilities	Public	Other (describe)	Public	Other (describe)	Off-site Improvements—Type	Public	Private	
	Electricity	<input type="checkbox"/>	<input type="checkbox"/>	Water	<input type="checkbox"/>	<input type="checkbox"/>	Street	<input type="checkbox"/>	<input type="checkbox"/>
	Gas	<input type="checkbox"/>	<input type="checkbox"/>	Sanitary Sewer	<input type="checkbox"/>	<input type="checkbox"/>	Alley	<input type="checkbox"/>	<input type="checkbox"/>
	FEMA Special Flood Hazard Area		<input type="checkbox"/> Yes <input type="checkbox"/> No	FEMA Flood Zone		FEMA Map #	FEMA Map Date		
	Are the utilities and off-site improvements typical for the market area? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe								
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe									

Observing the Site

- FHA requires the appraiser to disclose any hazards that:
 - endanger physical improvements;
 - affect livability;
 - impair marketability; and
 - risk health and safety of occupants.

Handbook 4000.1, Section II.D.3.c.iv



Observing the Site (cont.)



Observing the Site (cont.)



Observing the Site (cont.)



Flood Zone: Determination & Responsibilities

- A property is not eligible for FHA insurance if:
 - A residential building and related improvements to the property are located within Special Flood Hazard Area AND insurance under the National Flood Insurance Program (NFIP) is not available in the community; or
 - The improvements are, or are proposed to be, located within a Coastal Barrier Resource System (CBRS).
- The appraiser **must** provide a copy of a flood map when the property is located within a special flood hazard area.
- The appraiser should comment on any effect on the marketability of the property when located within a flood hazard area.

Handbook 4000.1, Section II.D.3.c.iv



Water Supply Systems

Public Water Supply System

- The Mortgagee must confirm that a connection is made to a public or Community Water System whenever feasible and available at a reasonable cost.
- If connection costs to the public or community system are not reasonable, the existing onsite systems are acceptable, provided they are functioning properly and meet the requirements of the local health department.
- The underwriter, not the appraiser, is required to determine feasibility of connecting improvements to public water and/or septic system.

Handbook 4000.1, Section II.A.3.a



Water Supply Systems (cont.)

Individual Water Supply Systems (Wells)

- When an Individual Water Supply System is present, the Mortgagee must ensure that the water quality meets the requirements of the health authority with jurisdiction.
- If there are no local (or state) water quality standards, then water quality must meet the standards set by the EPA, as presented in the National Primary Drinking Water regulations in 40 CFR §§ 141 and 142.
- The appraiser and/or Mortgagee must require inspections of readily observable deficiencies of well or septic systems.

Handbook 4000.1, Section II.A.3.a



Improvements Section

- Number of Units
- Stories
- Property Type
- Design
- Year Built
- Effective Age

General Description	
Units	<input type="checkbox"/> One <input type="checkbox"/> One with Accessory Unit
# of Stories	
Type	<input type="checkbox"/> Det. <input type="checkbox"/> Att. <input type="checkbox"/> S-Det./End Unit
<input type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const.	
Design (Style)	
Year Built	
Effective Age (Yrs)	

Accessory Dwelling Units (ADU)



- An ADU refers to a habitable living unit added to, created within, or detached from a primary one-unit single family dwelling, which together constitute a single interest in real estate.
- It is a separate additional living unit, including:
 - Kitchen;
 - Sleeping; and
 - Bathroom facilities.

Accessory Dwelling Units (cont.)



Interior: Materials Condition

- Appraiser is to state what he/she saw and describe when necessary.
- What is readily observable?
- What upgrades did he/she see?

INTERIOR	materials/condition
Floors	
Walls	
Trim/Finish	
Bath Floor	
Bath Wainscot	

The Attic

Attic	<input type="checkbox"/>	None
<input type="checkbox"/> Drop Stair	<input type="checkbox"/>	Stairs
<input type="checkbox"/> Floor	<input type="checkbox"/>	Scuttle
<input type="checkbox"/> Finished	<input type="checkbox"/>	Heated

- The appraiser is required to observe the interiors of all attic spaces.
- The appraiser is not required to disturb insulation, move personal items, furniture, equipment or debris that obstructs access or visibility.
 - If unable to view the improvements safely in their entirety, the appraiser must contact the Mortgagee and reschedule a time when a complete visual observation can be performed; or complete the appraisal subject to inspection by a qualified third party.
- Photograph required.

Mechanical Systems

- All utilities must be on at the time of appraisal.



Improvement Section

Appliances <input type="checkbox"/> Refrigerator <input type="checkbox"/> Range/Oven <input type="checkbox"/> Dishwasher <input type="checkbox"/> Disposal <input type="checkbox"/> Microwave <input type="checkbox"/> Washer/Dryer <input type="checkbox"/> Other (describe)				
Finished area above grade contains:	Rooms	Bedrooms	Bath(s)	Square Feet of Gross Living Area Above Grade
Additional features (special energy efficient items, etc.)				
Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.).				
Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, describe				
Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? <input type="checkbox"/> Yes <input type="checkbox"/> No If No, describe				

Property Condition Requirements

- Determine the overall quality and condition of property.
- Identify items that require immediate repair and are Defective Conditions (health & safety, structural soundness).
- Identify items where maintenance has been deferred, which may not require immediate repair.

Property Condition Requirements (cont.)



Property Condition Requirements (cont.)



Property Condition Requirements (cont.)



Property Condition Requirements (cont.)



Property Condition Requirements (cont.)



Reconciliation

RECONCILIATION	Indicated Value by: Sales Comparison Approach \$	Cost Approach (if developed) \$ 0	Income Approach (if developed) \$
	This appraisal is made <input type="checkbox"/> "as is," <input type="checkbox"/> subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, <input type="checkbox"/> subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or <input type="checkbox"/> subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair: _____		
Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is \$ _____ as of _____, which is the date of inspection and the effective date of this appraisal.			

- The three approaches to value are reconciled with a brief description of the validity of each approach with respect to the subject property appraisal:
 - Sales Comparison Approach;
 - Cost Approach; and
 - Income Approach

Proper Appraisal Practice

The Appraiser must follow proper appraisal practices including:

- Application of the Principle of Contribution
- Calculation of Contributory Value
- Analysis via all applicable approaches:
 - Direct Sales Comparison Approach
 - Cost Approach
 - Income Approach
- Reconciliation of the indications calculated

Identifying the Appraisal Report

Clarity	
As Is	No repairs, alterations or required inspections; Establish the “as is” value for 203(k); or Appraiser is recommending the property for rejection
Subject To Completion per Plans & Specs	Subject is less than 90% complete
Subject To Repairs or Alterations	The subject property is 90% or more complete
Subject To Required Inspection (s)	The subject property is subject to inspection by a qualified individual or entity when the observation reveals evidence of a potential safety, soundness, or security issue beyond the appraiser’s ability to assess. (termite, electrician, structural, etc.)

Addressing Unique Properties



- Must be:
 - Legally zoned;
 - Structurally sound;
 - Marketable; and
 - Highest & Best Use.
- If zoning is Legal Non-Conforming-evidence property can be rebuilt.
- Mixed Use Properties require that a minimum of 51 percent of the entire building area be for Residential use.

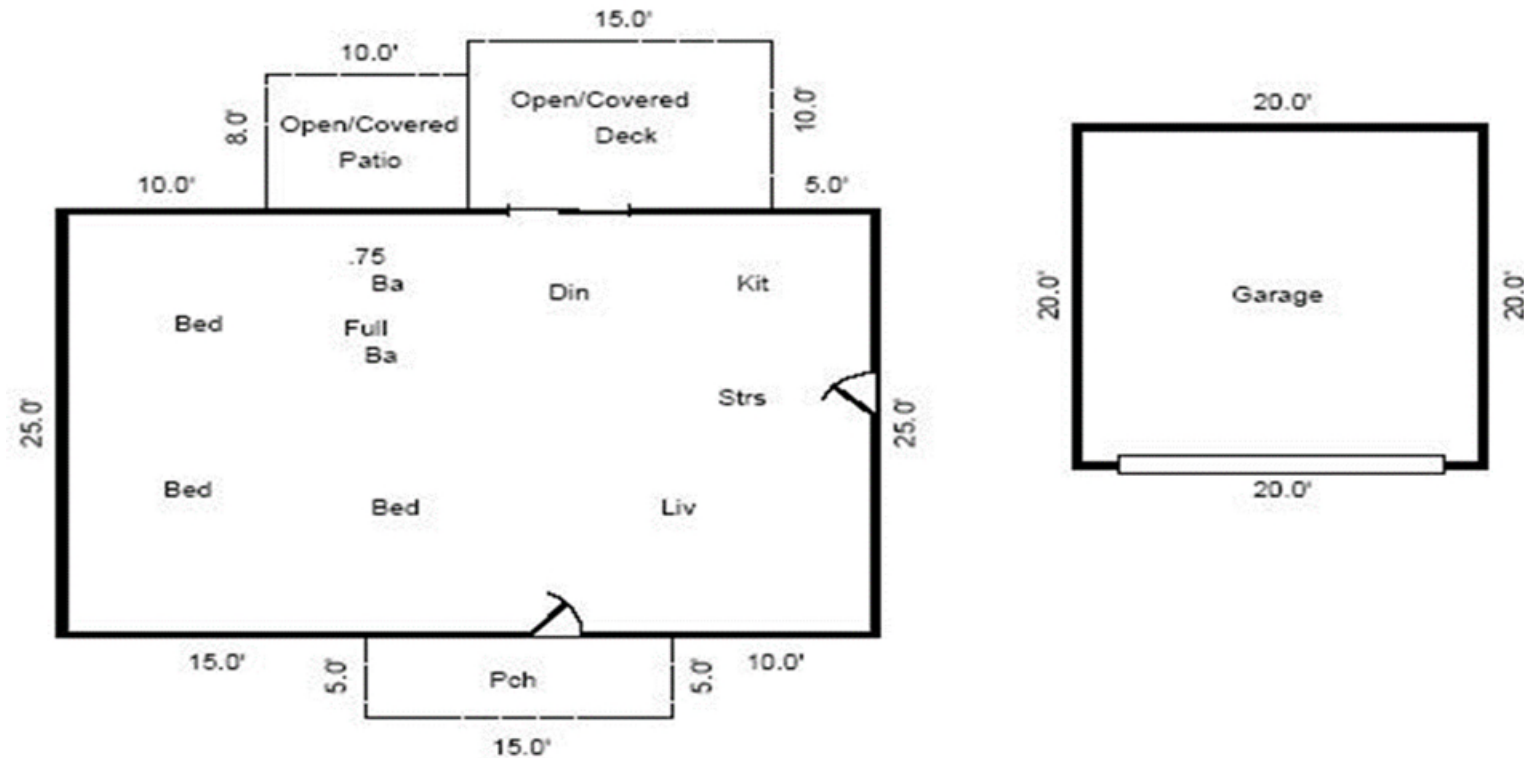
Photograph Requirements

FHA Minimum Photograph Requirements	
Photograph Exhibit	Minimum Photograph Requirement
Subject Property Exterior	<ul style="list-style-type: none"> • Front and rear at opposite angles to show all sides of the dwelling • Improvements with Contributory Value not captured in the front or rear photograph • Street scene photograph to include a portion of the subject site • For New Construction, include photographs that depict the subject's grade and drainage • For Proposed Construction, a photograph that shows the grade of the vacant lot
Subject Property Interior	<ul style="list-style-type: none"> • Kitchen, main living area, bathroom, bedrooms • Any other room representing overall condition • Basement, attic, and/or crawl space • Recent updates, such as restoration, remodeling and renovation • For two- to four-unit properties, also include photographs of common areas, hallways, etc.
Comparable Sales, Listings, Pending Sales, Rentals, etc.	<ul style="list-style-type: none"> • Front view of each comparable utilized • Photographs taken at an angle to depict both the front and the side when possible • Multiple Listing Service (MLS) photographs are acceptable to exhibit comparable condition at the time of sale. However, appraisers must include their own photographs as well to document compliance.
Subject Property Deficiencies	<ul style="list-style-type: none"> • Photographs of the deficiency or condition requiring inspection or repair
Condominium Projects	<ul style="list-style-type: none"> • Additional photographs of the common areas and shared amenities of the Condominium Project



- Maps
 - Local street map showing location of subject and each comparable sale.
 - Show proposed roadways and street names.

Required Exhibits (cont.)



No Contributory Value?

- Contributory value, whether positive or negative, must be calculated.
- Appraisers are not to assign “zero” value just to avoid addressing FHA requirements!

Fannie Mae Form 1004C: Manufactured Housing

Handbook 4000.1 Section II A. 1(5)



Manufactured Homes



Modular? Manufactured? Site Built?



**You can no longer tell
when sitting at the curb.**



Manufactured Home Appraisal

Manufactured Home Appraisal Report				File #
The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.				
Property Address		City	State	Zip Code
Borrower		Owner of Public Record	County	
Legal Description				
Assessor's Parcel #		Tax Year	R.E. Taxes \$	
Neighborhood Name		Map Reference	Census Tract	
SUBJECT	Occupant	<input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant	Project Type (if applicable) <input type="checkbox"/> PUD <input type="checkbox"/> Condominium <input type="checkbox"/> Cooperative <input type="checkbox"/> Other (describe)	
	Special Assessments \$	HOA \$	<input type="checkbox"/> per year <input type="checkbox"/> per month	
	Property Rights Appraised	<input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)		
	Assignment Type	<input type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)		
	Lender/Client	Address		
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input type="checkbox"/> No				
Report data source(s) used, offering price(s), and date(s).				
Manufactured homes located in either a condominium or cooperative project require the appraiser to inspect the project and complete the Project Information section of the Individual Condominium Unit Appraisal Report or the Individual Cooperative Interest Appraisal Report and attach it as an addendum to this report.				
CONTRACT	I <input type="checkbox"/> did <input type="checkbox"/> did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.			
	Contract Price \$	Date of Contract	Is the property seller the owner of public record? <input type="checkbox"/> Yes <input type="checkbox"/> No Data Source(s)	
	Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input type="checkbox"/> Yes <input type="checkbox"/> No			
	If Yes, report the total dollar amount and describe the items to be paid.			
	I <input type="checkbox"/> did <input type="checkbox"/> did not analyze the manufacturer's invoice. Explain the results of the analysis of the manufacturer's invoice or why the analysis was not performed.			
Retailer's Name (New Construction)				

HUD Certification Label: “Red Tag”



- HUD Certification Label, also known as a HUD seal or HUD tag, refers to a two inch by four-inch aluminum plate permanently attached to Manufactured Housing.

Handbook 4000.1, Section II. D. 5. f.

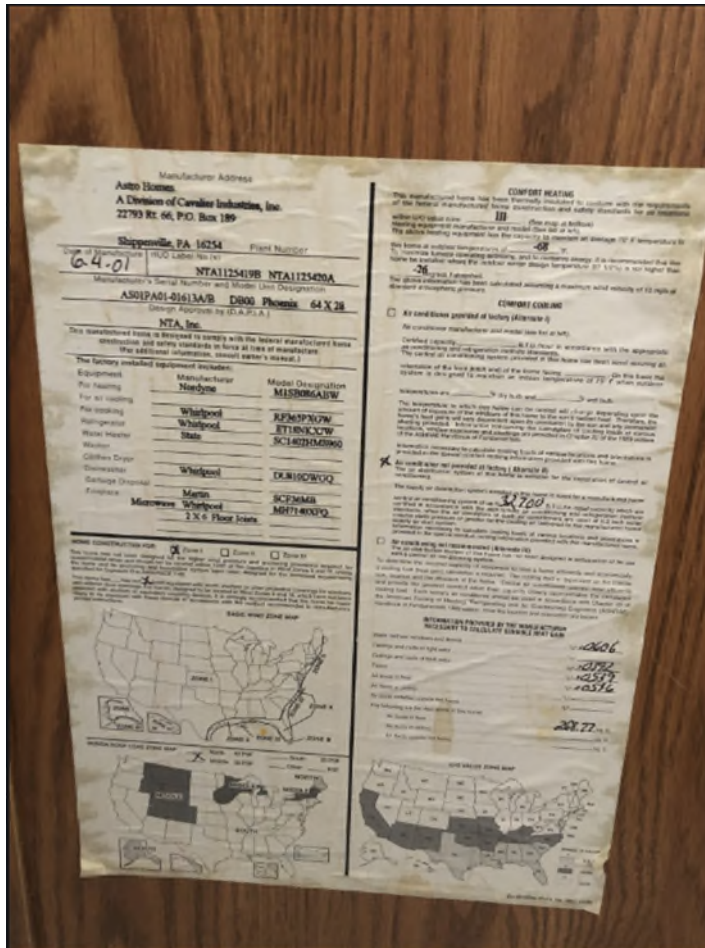
HUD Certification Label: “Red Tag” (cont.)

- The Appraiser must report the HUD label number for all sections, or report that the HUD Certification Label is missing or that the Appraiser was unable to locate it.
- If the appraisal indicates the HUD Certification Label is missing from the Manufactured Housing unit, the Mortgagee must obtain label verification from the Institute for Building Technology and Safety (IBTS). <https://www.ibts.org/>

Handbook 4000.1, Section II. D. 5. f.; II. A.1. b.



HUD Data Plate



Data Plate refers to a paper document located on the interior of the Property that contains specific information about the unit and its manufacturer.

Handbook 4000.1, Section II. D. 5. g.

HUD Data Plate (cont.)

- The Appraiser must report the information on the Data Plate within the appraisal, including the manufacturer name, serial number, model and date of manufacture, as well as wind, roof load and thermal zone maps.
- If the Data Plate is missing or the Appraiser is unable to locate it, the Appraiser must report this in the appraisal and is not required to secure the Data Plate information from another source.

Handbook 4000.1, Section II. D. 5. g.



Foundations



Foundations (cont.)

- For Manufactured Housing, the appraisal must be conditioned upon the certification of an engineer or architect that the foundation is in compliance with the Permanent Foundations Guide for Manufactured Housing (PFGMH).



Handbook 4000.1, Section II. D. 3. I

Foundations (cont.)

PFGMH Certification

The Mortgagee must obtain a certification by an engineer or architect, who is licensed/registered in the state where the Manufactured Home is located, attesting to compliance with the PFGMH.

The Mortgagee may obtain a copy of the foundation certification from a previous FHA-insured Mortgage, showing that the foundation met the guidelines published in the PFGMH that were in effect at the time of certification, provided there are no alterations and/or observable damage to the foundation since the original certification.

Handbook 4000.1, Section II. A. 1. b.



Foundations – Perimeter Enclosure

Perimeter Enclosure refers to a continuous wall that is adequately secured to the perimeter of the unit and allows for proper ventilation of the crawl space.

Skirting refers to a non-structural enclosure of a foundation crawl space intended to ensure the crawl space is free from exposure to the elements and free from vermin, trash, and debris. Typically, but not always, it is a lightweight material such as vinyl or metal attached to the side of the Structure, extending to the ground (generally, not installed below frost depth).



Handbook 4000.1, Section II. D. 5. e.

Foundations – Perimeter Enclosure (cont.)

New Construction

- The space beneath the house must be enclosed by a continuous foundation type construction designed to resist all forces to which it is subject without transmitting forces to the building superstructure. The enclosure must be adequately secured to the perimeter of the house and be constructed of materials that conform, accordingly, to HUD MPS (such as concrete, masonry or treated wood) and the PFGMH for foundations.

Handbook 4000.1, Section II. D. 5. c.



Foundations – Perimeter Enclosure (cont.)

Existing Construction

- If the perimeter enclosure is non-load-bearing skirting comprised of lightweight material, the entire surface area of the skirting must be permanently attached to backing made of concrete, masonry, treated wood or a product with similar strength and durability.

Handbook 4000.1, Section II. D. 5. c.



Foundations - Skirting (Examples)



Foundations - Skirting (Examples) (cont.)



Foundations - Skirting (Examples) (cont.)



Foundations - Additions to Manufactured Housing



Foundations - Additions to Manufactured Housing (cont.)

If the Appraiser notes additions or alterations to the Manufactured Housing unit, the Mortgagee must ensure the addition was addressed in the foundation certification. If the additions or alterations were not addressed in the foundation certification, the Mortgagee must obtain:

- an inspection by the state administrative agency that inspects Manufactured Housing for compliance; or
- certification of the structural integrity from a licensed structural engineer if the state does not employ inspectors.

Handbook 4000.1, Section II. A. 1. b.



Additional Manufactured Home on Property



Additional Manufactured Home on Property (cont.)

- The Appraiser may consider a Manufactured Home to be an ADU if it meets the highest and best use and FHA requirements.
- The Appraiser may value a Manufactured Home on the Property that physically or legally may not be used as a dwelling and does not pose any health and safety issues by its continued presence as a storage unit.

Handbook 4000.1, Section II. D. 3. c.



Fannie Mae Form 1073: Single Unit Condominium

Individual Condominium Unit

- Appraisal Report: Fannie Mae Form 1073

Individual Condominium Unit Appraisal Report					File #
The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.					
Property Address		Unit #	City	State	Zip Code
Borrower		Owner of Public Record		County	
Legal Description					
Assessor's Parcel #			Tax Year	R.E. Taxes \$	
SUBJECT	Project Name		Phase #	Map Reference	Census Tract
	Occupant <input type="checkbox"/> Owner <input type="checkbox"/> Tenant <input type="checkbox"/> Vacant		Special Assessments \$	HOA \$	<input type="checkbox"/> per year <input type="checkbox"/> per month
	Property Rights Appraised <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold <input type="checkbox"/> Other (describe)				
	Assignment Type <input type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input type="checkbox"/> Other (describe)				
	Lender/Client		Address		
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input type="checkbox"/> Yes <input type="checkbox"/> No					
Report data source(s) used, offering price(s), and date(s).					
COMMENTS	I <input type="checkbox"/> did <input type="checkbox"/> did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.				

Condominiums

- Condominium Project refers to a project in which one-family Dwelling Units are attached, semi-detached, detached, or Manufactured Home units, and in which owners hold an undivided interest in Common Elements.
- Common Elements refer to the Condominium Project's common areas and facilities including underlying land and buildings, driveways, parking areas, elevators, outside hallways, recreation and landscaped areas, and other elements described in the condominium declaration.

Handbook 4000.1, Section II.C.1.



FHA Condominium Project Approval



Site Condominium or Single Family Home?

FHA Condominium Project Approval (cont.)



Condominium or Attached Single Family Residence?

FHA Condominium Project Approval (cont.)



Condominium or Manufactured Home?

FHA Condominium Project Approval (cont.)

- Condominium?



Site Condos

A Site Condominium refers to:

- a Condominium Project that consists entirely of single family detached dwellings that have no shared garages, or any other attached buildings; or
- a Condominium Project that:
 - consists of single family detached or horizontally attached (townhouse) dwellings where the unit consists of the dwelling and land;
 - does not contain any Manufactured Housing units; and
 - is encumbered by a declaration of condominium covenants or a condominium form of ownership.

Handbook 4000.1, Section II.D.6.d



Site Condos (cont.)

- Manufactured Housing condominium units may not be processed as Site Condominiums.
- Project approval is required for any condominium that does not meet the definition of a site condo.
- The appraiser must report the appraisal on [Fannie Mae Form 1073](#)/[Freddie Mac Form 465](#), Individual Condominium Unit Appraisal Report.

Handbook 4000.1, Section II.D.6.d



Property Flipping and Transferring Appraisals

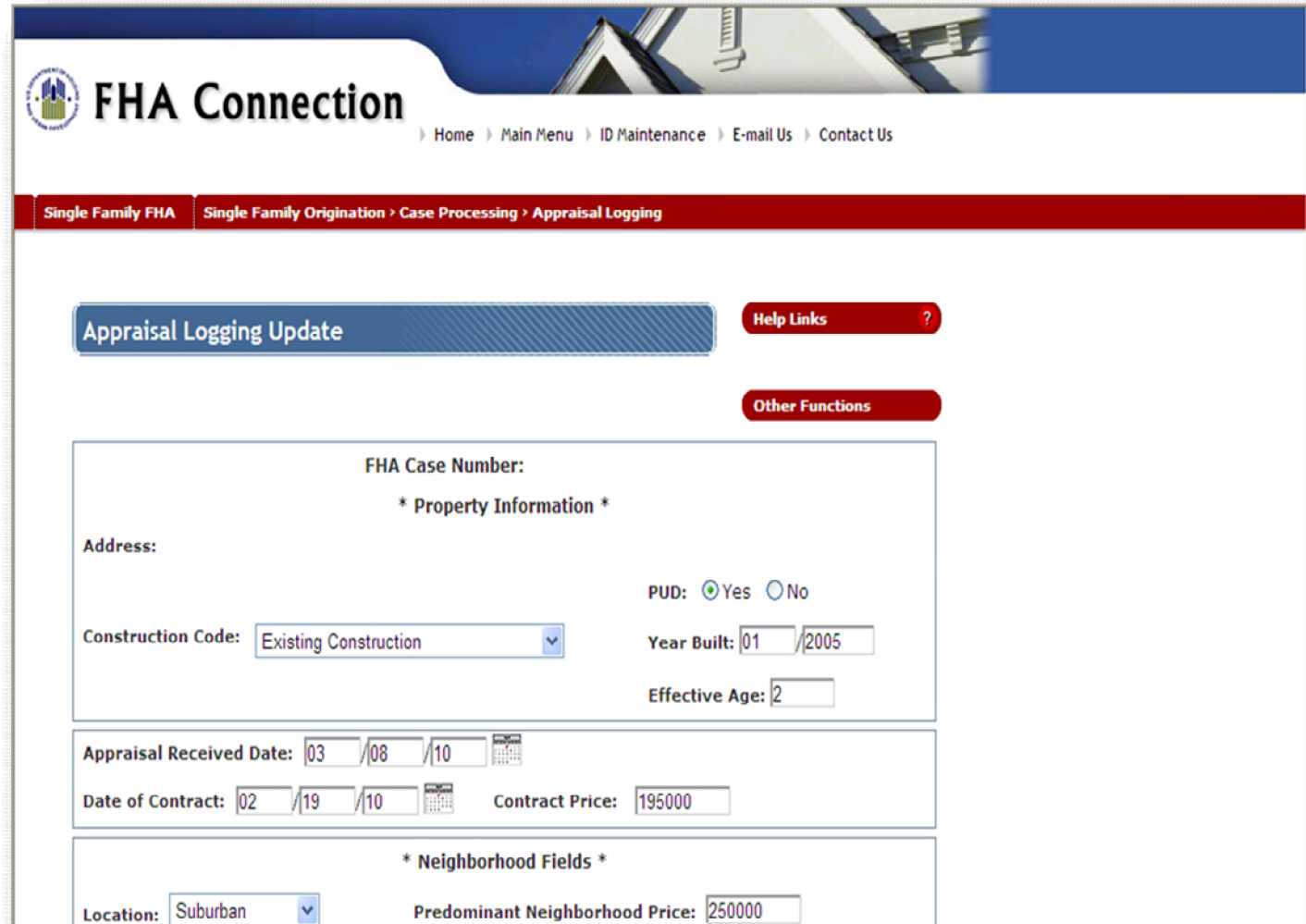
Restrictions on Property Flipping

- A Property that is being resold 90 Days or fewer following the seller's date of acquisition is not eligible for an FHA-insured Mortgage.
 - The Seller's Date of Acquisition refers to the date the seller acquired legal ownership of that Property.
 - The Resale Date refers to the date all parties have executed the sales contract that will result in the FHA-insured Mortgage for the resale of the Property.

Handbook 4000.1, Section II.A.1.b.iv(A)(3)(b)(i)



FHA Connection Portal



The screenshot displays the FHA Connection Portal interface. At the top, the logo and name 'FHA Connection' are visible, along with a navigation menu: Home, Main Menu, ID Maintenance, E-mail Us, and Contact Us. Below this, a red breadcrumb trail reads: Single Family FHA > Single Family Origination > Case Processing > Appraisal Logging. The main content area features a blue button labeled 'Appraisal Logging Update' and two red buttons: 'Help Links' with a question mark icon and 'Other Functions'. The form itself is titled 'FHA Case Number:' and includes a section for '* Property Information *'. This section contains fields for 'Address:', 'PUD:' (with radio buttons for 'Yes' and 'No'), 'Construction Code:' (a dropdown menu currently showing 'Existing Construction'), 'Year Built:' (a date field showing '01/2005'), and 'Effective Age:' (a text field with the value '2'). Below these are date fields for 'Appraisal Received Date:' (showing '03/08/10') and 'Date of Contract:' (showing '02/19/10'), along with a 'Contract Price:' field (showing '195000'). The final section is titled '* Neighborhood Fields *' and includes a 'Location:' dropdown menu (showing 'Suburban') and a 'Predominant Neighborhood Price:' field (showing '250000').

FHA Connection

Home > Main Menu > ID Maintenance > E-mail Us > Contact Us

Single Family FHA > Single Family Origination > Case Processing > Appraisal Logging

Appraisal Logging Update

Help Links ?

Other Functions

FHA Case Number:

* Property Information *

Address:

PUD: ☒ Yes ☐ No

Construction Code: Existing Construction

Year Built: 01/2005

Effective Age: 2

Appraisal Received Date: 03/08/10



Date of Contract: 02/19/10 Contract Price: 195000


* Neighborhood Fields *

Location: Suburban

Predominant Neighborhood Price: 250000



FHA Connection Portal (cont.)

* Reconciliation Fields *	
Appraisal Type: <input type="text" value="Select Appraisal Type"/>	Appraised Value: <input type="text" value="97500"/>
Actual Appraiser (State Certificate or License No.):	Effective Date of Appraisal:
ID: <input type="text" value="FLRZ744"/> 	<input type="text" value="03"/> / <input type="text" value="18"/> / <input type="text" value="16"/> 
Name: LAMB, JOHN J	

* Property Flipping *
Property Subject to Greater Than 90-Day Flipping Rule
Flipping Exemption Reason: <input type="text" value="N/A"/> 

☒ Use First Appraisal for Case Processing

☐ Use Second Appraisal for Case Processing

* Appraisal Update *	
Appraiser (State Certificate or License No.):	Effective Date of Appraisal Update:
ID: <input type="text"/> 	<input type="text"/> / <input type="text"/> / <input type="text"/> 
Name:	
Certify subject property did not decline in value <input type="checkbox"/>	

Transferring Existing Appraisals

- The first Mortgagee must, at the Borrower's request, transfer the appraisal to the second Mortgagee within five business days.
- The Appraiser is not required to provide the appraisal to the new Mortgagee. The client's name on the appraisal does not need to reflect the new Mortgagee.
- If the original Mortgagee has not been reimbursed for the cost of the appraisal, the Mortgagee is not required to transfer the appraisal until it is reimbursed.
- The second Mortgagee may not request the Appraiser to re-address the appraisal.
- If the second Mortgagee finds deficiencies in the appraisal, the Mortgagee must order a new appraisal.

Handbook 4000.1, Section II.A.1.a.iii.(B)(8)



Transferring Existing Appraisal – New Borrower

- When an existing appraisal is being used for a different borrower, the Mortgagee must:
 - Enter the new borrower's information in FHA Connection (FHAC); and
 - Collect the appraisal fee from the new borrower and refund the fee to the original borrower.

Handbook 4000.1, Section II.A.1.a.iii.(B)(8)



Second Appraisal Warning Screen

Living Area: 1075 Central Air: YES NO Car Storage: Two car garage

*** Property Title Information ***

Estate Will be Held in: Leasehold Expiration Date:

Fee Simple

*** Prior Sale Information ***

Was prior sale/transfer of this property within the past 3 years? No Sale/Transfer within 3 yrs

Date of Prior Sale/Transfer: Price of Prior Sale/Transfer:

*** Recommendation Fields ***

Appraised Value: 321000

Actual Appraiser (State Certificate or License):

ID: CAAR030991

Name: ARMSTRONG, EDWARD J

Appraiser (State Certificate or License):

ID:

Name:

Certify subject property did not decline in value ☐

Second Appraisal Select link if you wish to enter second appraisal

Send Reset New Request

Message Board Friday August 03, 2012

Windows Internet Explorer

A second appraisal is required ONLY if a property is subject to the Property Popping Rule and is a resale that occurred between 91 and 180 days after acquisition. If the property is eligible for insurance due to the Popping Rule Waiver and is a resale that occurred within 90 days of acquisition, a second appraisal is optional.

Even when not required by the system, a second appraisal may be needed due to portability issues such as Material Deficiencies, Exclusionary List or Delayed Transfer (refer to Mortgage Letter 2009-120) or expiration of appraisal validity period (refer to Mortgage Letters 09-20 and 2010-120).

NOTE: If an appraisal is ordered for documentation purposes, such as to meet the requirements of the Property Popping Waiver as described above, the second appraisal should be retained in the case binder but SHOULD NOT BE LOADED into PHA Connection and may not be used for case processing.

OK Cancel

Material Deficiencies

- Material deficiencies on appraisals are those deficiencies that have a direct impact on value and marketability.
- Material deficiencies must be evident on the effective date of the appraisal.



Handbook 4000.1, Section II.A.1.a.iii.(B)(9)(a)

Material Deficiencies (cont.)

- Material deficiencies include, but are not limited to:
 - Failure to report readily observable defects that impact the health and safety of the occupants and/or structural soundness of the house;
 - Reliance upon outdated or dissimilar comparable sales when more recent and/or comparable sales were available as of the effective date of the appraisal; and
 - Fraudulent statements or conclusions when the appraiser had reason to know or should have known that such statements or conclusions compromise the integrity, accuracy and/or thoroughness of the appraisal submitted to the client.

Handbook 4000.1, Section II.A.1.a.iii.(B)(9)(a)



Reconsideration of Value

- The underwriter may request a reconsideration of value when the appraiser did not consider information that was relevant on the effective date of the appraisal.
- The underwriter must provide the appraiser with all relevant data that is necessary for a reconsideration of value.

Handbook 4000.1, Section II.A.3.a.viii



Reconsideration of Value (cont.)

- The Appraiser may charge an additional fee if the relevant data was not available on the effective date of the appraisal.
- If the unavailability of data is not the fault of the Borrower, the Borrower must not be held responsible for the additional costs.
- The effective date of the appraisal is the date the Appraiser inspected the Property.

Handbook 4000.1, Section II.A.3.a.viii



New Construction



Construction Type Definitions

- “Proposed Construction” refers to a Property where no concrete or permanent material has been placed. Digging of footing is not considered permanent.



Handbook 4000.1, Section II.A.8.i.i

Construction Type Definitions (cont.)

- “Under Construction” refers to the period from the first placement of permanent material to 100 percent completion with no Certificate of Occupancy (CO) or equivalent.



Handbook 4000.1, Section II.A.8.i.i

Construction Type Definitions (cont.)

“Existing Less than One Year” refers to a Property that is 100 percent complete and has been completed less than one year from the date of the issuance of the CO or equivalent. The Property must have never been occupied.



Handbook 4000.1, Section II.A.8.i.i

Eligible Property Types

For case numbers assigned on or after January 4, 2021

- The following property types are eligible for New Construction financing:
 - Site Built Housing (one- to four-units),
 - Condominium units in Approved Projects of Legal Phases, and
 - Manufactured Housing.

Handbook 4000.1, Section II.A.8.i.ii



Site Built Housing and Condominium Units

“Proposed Construction”

- copies of the building permit (or equivalent) and CO (or equivalent); or
- three inspections (footing, framing and final) performed by the local authority with jurisdiction over the Property or an ICC certified RCI or CI (for Modular Housing, footing and final only); or

Handbook 4000.1, Section II.A.8.i.iii(A)(1)



Site Built Housing and Condominium Units (cont.)

“Proposed Construction”

- in the absence of such ICC certified RCI or CI, the Mortgagee may obtain three inspections (footing, framing and final) performed by a disinterested third party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the Property is located.

Handbook 4000.1, Section II.A.8.i.iii(A)(1)



Site Built Housing and Condominium Units (cont.)

“Under Construction”

- copies of the building permit (or equivalent) and CO (or equivalent); or
- a final inspection issued by the local authority with jurisdiction over the Property or by an ICC certified RCI or CI; or
- in the absence of such ICC certified RCI or CI, the Mortgagee may obtain a final inspection performed by a disinterested third party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the Property is located.

Handbook 4000.1, Section II.A.8.i.iii(A)(2)a



Site Built Housing and Condominium Units (cont.)

“Existing Less than One Year”

- a copy of the CO (or equivalent); or
- a final inspection issued by the local authority with jurisdiction over the Property or by an ICC certified RCI or CI; or
- in the absence of such ICC certified RCI or CI, the Mortgagee may obtain a final inspection performed by a disinterested third party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the Property is located.

Handbook 4000.1, Section II.A.8.i.iii(A)(3)



Manufactured Housing

“Proposed Construction”

- copies of the building permit, (or equivalent) and CO (or equivalent); or
- two inspections (initial and final) performed by the local authority with jurisdiction over the Property or an ICC certified RCI or CI; or

Handbook 4000.1, Section II.A.8.i.iii(B)(1)



Manufactured Housing (cont.)

“Proposed Construction”

- in the absence of a local authority with building code jurisdiction or ICC certified RCI or CI, the Mortgagee may obtain two inspections (initial and final) performed by a disinterested third party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the Property is located.

Handbook 4000.1, Section II.A.8.i.iii(B)(1)a



Manufactured Housing (cont.)

“Under Construction”

- copies of the building permit, (or equivalent) and CO (or equivalent); or
- a final inspection performed by the local authority with jurisdiction over the Property or an ICC certified RCI or CI; or

Handbook 4000.1, Section II.A.8.i.iii(B)(2)



Manufactured Housing (cont.)

“Under Construction”

- in the absence of a local authority with building code jurisdiction or ICC certified RCI or CI, the Mortgagee may obtain a final inspection performed by a disinterested third party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the Property is located.

Handbook 4000.1, Section II.A.8.i.iii(B)(2)



Manufactured Housing (cont.)

“Existing Less than One Year”

- a copy of the CO (or equivalent); or
- a final inspection performed by the local authority with jurisdiction over the Property or an ICC certified RCI or CI; or

Handbook 4000.1, Section II.A.8.i.iii(B)(3)



Manufactured Housing (cont.)

“Existing Less than One Year”

- in the absence of a local authority with building code jurisdiction or ICC certified RCI or CI, the Mortgagee may obtain a final inspection performed by a disinterested third party, who is a registered architect or a structural engineer and has met the licensing and bonding requirements of the state in which the Property is located.

Handbook 4000.1, Section II.A.8.i.iii(B)(3)



New Construction Required Documentation

The Mortgagee must obtain and include the following documents in the case binder:

- form HUD-92541, Builder's Certification of Plans, Specifications, and Site;
- form HUD-92544, Warranty of Completion of Construction;
- required inspections, as applicable;
- inspections performed by an ICC certified RCI or CI or a third-party, who is a registered architect or structural engineer must be reported on form HUD-92051, Compliance Inspection Report, or on an appropriate state-sanctioned inspection form;

Handbook 4000.1, Section II.A.8.iv



New Construction Required Documentation (cont.)

- Wood Infestation Report, unless the Property is located in an area of no to slight infestation as indicated on HUD's "Termite Treatment Exception Areas" list:
 - Form HUD-NPMA-99-A, Subterranean Termite Protection Builder's Guarantee, is required for all New Construction. If the building is constructed with steel, masonry or concrete building components with only minor interior wood trim and roof sheathing, no treatment is needed. The Mortgagee must ensure that the builder notes on the form that the construction is masonry, steel, or concrete.

Handbook 4000.1, Section II.A.8.iv



New Construction Required Documentation (cont.)

- Form HUD-NPMA-99-B, New Construction Subterranean Termite Service Record, is required when the New Construction Property is treated with one of the following: Termite Bait System, Field Applied Wood Treatment, soil chemical termiticide, or Physical Barrier System is installed, as reflected on the HUD-NPMA-99-A.
- The Mortgagee must reject the use of post construction soil treatment when the termiticide is applied only around the perimeter of the foundation.
- Local Health Authority well water analysis and/or septic report, where required by the local jurisdictional authority; and

Handbook 4000.1, Section II.A.8.iv



New Construction Required Documentation (cont.)

- When a third party, who is a registered architect or structural engineer is relied upon for required inspections due to the absence of an ICC certified RCI or CI, include certification from such inspector that they are licensed and bonded under applicable state and local laws.

Handbook 4000.1, Section II.A.8.iv



Documents To Provided Appraiser At Assignment

- The Mortgagee must provide the Appraiser with a fully executed form HUD-92541, signed and dated no more than 30 Days prior to the date the appraisal was ordered.
- For Properties 90 percent completed or less, the Mortgagee must provide a copy of the floor plan, plot plan, and any other exhibits necessary to allow the Appraiser to determine the size and level of finish of the house they are appraising.

Handbook 4000.1, Section II.A.8.v



Documents To Provided Appraiser At Assignment (cont.)

- For Properties greater than 90 percent but less than 100 percent completed, the Mortgagee must provide the Appraiser with a list of components to be installed or completed after the date of inspection.

Handbook 4000.1, Section II.A.8.v



Helpful Links and Resources



Helpful Links

- Handbook 4000.1 Information:
 - https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1
 - https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsgb
- Upcoming Single Family Housing Events and Training:
 - https://www.hud.gov/program_offices/housing/sfh/events
- Subscribe to FHA INFO:
 - [https://www.hud.gov/program_offices/housing/sfh/FHA_INFO_subscribe203\(k\)](https://www.hud.gov/program_offices/housing/sfh/FHA_INFO_subscribe203(k))
- Resource Documents:
 - https://www.hud.gov/program_offices/housing/sfh/203k/sample_documents

FHA Resource Center

	Option	Point of Contact	Hours Available	Comments
1	FHA Knowledge Base – FAQs	www.hud.gov/answers	24/7/365	Knowledge Base web page includes option to email questions.
2	Email	answers@hud.gov	24/7/365	
3	Telephone	1-800-CALL-FHA (1-800-225-5342) Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.	8:00 AM to 8:00 PM Eastern M-F	Voicemail is available after hours or during extended wait periods.
<p><i>FHA INFO</i> emails: Frequent email notifications of new policies and training opportunities for anyone who signs up. Subscribe at: https://www.hud.gov/program_offices/housing/sfh/FHA_INFO_subscribe</p>				

Q & A



**Thank you
for viewing this
presentation!**

